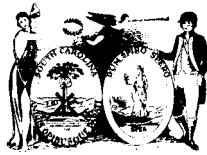


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

December 12, 2002

Mr. Dennis Lofe, Chief Executive Officer
Wilson Group, Inc.
116 Cashua Drive
Darlington, South Carolina 29532

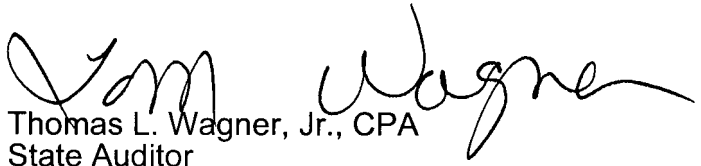
Re: AC# 3-MEP-J0 – Medford Place

Dear Mr. Lofe:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1999 through September 30, 2000. That report was used to set the rate covering the contract period beginning October 1, 2001.

We are recommending that the Department of Health and Human Services certify an accounts payable for the amounts owed as a result of the rate change shown at Exhibit A. You will be notified of payment by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph P. Hayes

**MEDFORD PLACE
DARLINGTON, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2001
AC# 3-MEP-J0**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 28, 2002

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Medford Place, for the contract period beginning October 1, 2001, and for the twelve month cost report period ended September 30, 2000, as set forth in the accompanying schedules. The management of Medford Place is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

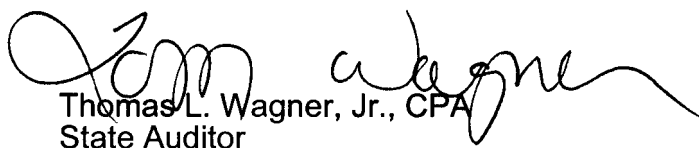
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Medford Place, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Medford Place dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
February 28, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

MEDFORD PLACE
Computation of Rate Change
For the Contract Periods
Beginning October 1, 2001
AC# 3-MEP-J0

	10/01/01- <u>09/30/02</u>
Adjusted Reimbursement Rate	\$108.17
Interim Reimbursement Rate (1)	<u>107.96</u>
Increase in Reimbursement Rate	\$ <u><u>.21</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

MEDFORD PLACE

Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2001 Through September 30, 2002
AC# 3-MEP-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$54.85	\$58.68	
Dietary		10.22	11.36	
Laundry/Housekeeping/Maintenance		<u>9.32</u>	<u>9.21</u>	
Subtotal	\$ <u>4.86</u>	74.39	79.25	\$74.39
Administration & Medical Records	\$ <u>4.86</u>	<u>7.52</u>	<u>12.38</u>	<u>7.52</u>
Subtotal		81.91	<u>\$91.63</u>	81.91
<u>Costs Not Subject to Standards:</u>				
Utilities		4.37		4.37
Special Services		.01		.01
Medical Supplies & Oxygen		5.47		5.47
Taxes and Insurance		1.21		1.21
Legal Fees		<u>.84</u>		<u>.84</u>
TOTAL		<u>\$93.81</u>		93.81
Inflation Factor (3.80%)				3.56
Cost of Capital				7.70
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				3.28
Cost Incentive				4.86
Effect of \$1.75 Cap on Cost/Profit Incentives				(6.39)
Nurse Aide Staffing Add-On 10/01/2000				<u>1.35</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$108.17</u>

MEDFORD PLACE
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2000
AC# 3-MEP-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,701,828	\$ -	\$ 5,997 (2)	\$1,695,831
Dietary	308,767	7,343 (6)	-	316,110
Laundry	45,331	-	-	45,331
Housekeeping	134,897	3,871 (5)	958 (4) 1,943 (5)	135,867
Maintenance	109,675	1,873 (5)	2,051 (4) 2,377 (5)	107,120
Administration & Medical Records	279,624	6 (5)	- 33,965 (4) 13,061 (6)	232,604
Utilities	136,716	3,528 (5)	2,230 (4) 2,897 (6)	135,117
Special Services	303	-	-	303
Medical Supplies & Oxygen	169,244	-	-	169,244
Taxes and Insurance	38,131	916 (5)	820 (4) 669 (6)	37,558
Legal Fees	-	29,341 (1) 939 (4)	4,318 (6)	25,962

MEDFORD PLACE
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2000
AC# 3-MEP-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	206,747	5,241 (6)	2,995 (3)	237,972
		8,838 (7)	5,060 (5)	
		1,729 (8)		
	<u> </u>	<u>23,472 (9)</u>	<u> </u>	<u> </u>
Subtotal	3,131,263	87,097	79,341	3,139,019
Ancillary	44,156	-	-	44,156
Non-Allowable	261,710	5,997 (2)	29,341 (1)	250,959
		44,145 (4)	15,435 (5)	
		9,084 (6)	1,729 (7)	
	<u> </u>	<u> </u>	<u>23,472 (8)</u>	<u> </u>
Total Operating Expenses	<u>\$3,437,129</u>	<u>\$146,323</u>	<u>\$149,318</u>	<u>\$3,434,134</u>
Total Patient Days	<u>30,920</u>	<u>-</u>	<u>-</u>	<u>30,920</u>
TOTAL BEDS	<u>88</u>			

MEDFORD PLACE
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-MEP-J0

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Legal Nonallowable	\$ 29,341	\$ 29,341
	To include allowable legal fees State Plan, Attachment 4.19D		
2	Nonallowable Restorative	5,997	5,997
	To disallow expenses not adequately documented HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Accumulated Depreciation	77,309	
	Other Equity		20,821
	Fixed Assets		53,493
	Cost of Capital		2,995
	To adjust fixed assets and related depreciation expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Legal	939	
	Nonallowable	44,145	
	Housekeeping		958
	Maintenance		2,051
	Administration		33,965
	Utilities		2,230
	Taxes and Insurance		820
	Cost of Capital		5,060
	To adjust home office allocation HIM-15-1, Section 2150 State Plan, Attachment 4.19D		

MEDFORD PLACE
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-MEP-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Housekeeping	3,871	
	Maintenance	1,873	
	Administration	6	
	Utilities	3,528	
	Taxes and Insurance	916	
	Cost of Capital	5,241	
	Nonallowable		15,435
	To reverse home office stepdown adjustment HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Cost of Capital	8,838	
	Dietary	7,343	
	Nonallowable	9,084	
	Taxes and Insurance		669
	Administration		13,061
	Legal		4,318
	Maintenance		2,377
	Utilities		2,897
	Housekeeping		1,943
	To adjust costs applicable to non-reimbursable cost centers HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Cost of Capital	1,729	
	Nonallowable		1,729
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
8	Cost of Capital	23,472	
	Nonallowable		23,472
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$223,632</u>	<u>\$223,632</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

MEDFORD PLACE
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2000
AC# 3-MEP-J0

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3848</u>
Deemed Asset Value (Per Bed)	37,246
Number of Beds	<u>88</u>
Deemed Asset Value	3,277,648
Improvements Since 1981	497,773
Accumulated Depreciation at 9/30/00	<u>(853,494)</u>
Deemed Depreciated Value	2,921,927
Market Rate of Return	<u>.058</u>
Total Annual Return	169,472
Return Applicable to Non-Reimbursable Cost Centers	(14,708)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>909</u>
Allowable Annual Return	155,673
Depreciation Expense	99,071
Amortization Expense	83
Capital Related Income Offsets	(5,381)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(11,477)</u>
Allowable Cost of Capital Expense	237,969
Total Patient Days (Minimum 96% Occupancy)	<u>30,920</u>
Cost of Capital Per Diem	\$ <u><u>7.70</u></u>

MEDFORD PLACE
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2000
AC# 3-MEP-J0

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ N/A
Adjustment for Maximum Increase	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>-</u>
Reimbursable Cost of Capital Per Diem	\$7.70
Cost of Capital Per Diem	<u>7.70</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

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